

WASHINGTON - *Congressman Spencer Bachus (AL-6), Ranking Member on the House Financial Services Committee, made the following statement today during the Full Committee hearing entitled, "H.R. 1207, The Federal Reserve Transparency Act of 2009."* "Bachus is a cosponsor of the legislation, also known as the "Audit the Fed" Act. Bachus appointed Congressman Paul to the position of Ranking Member on the Subcommittee on Domestic Monetary Policy and Technology.

"Mr. Chairman, thank you for convening this hearing on the Federal Reserve Transparency Act of 2009, sponsored by our colleague Dr. Paul. In his role as Ranking Member of the Subcommittee on Domestic Monetary Policy and Technology, Dr. Paul has been a consistent champion of the taxpayer and a strong advocate for greater transparency and accountability at the Federal Reserve.

"Americans are tired of paying for Wall Street's mistakes with costly bailouts, many of which have been funded by the Federal Reserve. Over the last year and a half, the Fed has used its authority under Section 13(3) of the Federal Reserve Act to conduct a series of extraordinary interventions into the financial markets that have doubled the size of its balance sheet to over \$2 trillion. And just this week, the Federal Open Market Committee voted unanimously to extend its program to purchase \$1.2 trillion worth of mortgage-backed securities and up to \$200 billion of agency debt through the first quarter of 2010. All of these actions were taken without consulting Congress.

"Watching the central bank exercise such enormous and largely unchecked power should give us all pause. Indeed, even proponents of retaining the Fed's 13(3) authority express serious reservations about its use. In testimony before this Committee yesterday, former Federal Reserve Chairman Paul Volcker expressed his own misgivings about invoking 13(3):

"I have mixed minds about that because I squirm when it's used, frankly. We spent a lot of time trying to avoid its use because we knew if it ever got used, it would become a precedent for the future."

"The Fed's interventions in virtually every corner of the American economy require greater disclosure if Congress is to perform effective oversight. Enactment of H.R.1207 would allow the Government Accountability Office (GAO) to conduct a full audit of all activities of the Federal

Reserve Board and regional Reserve Banks. Audits would give taxpayers and market participants a better understanding of the reasoning behind Fed policies. Increased transparency should lead to better-informed decisions.

"Mr. Chairman, the proper role of the Federal Reserve is central to our regulatory reform debate and the U.S. economic recovery. In addition to the work of the gentleman from Texas, the House Republican Regulatory Reform Plan promotes principled Congressional oversight by refocusing the Fed on its primary mission of conducting monetary policy and expressly prohibiting it from using section 13(3) to bailout specific financial institutions. I again commend the gentleman from Texas for his work on the legislation, and look forward to the testimony of our witnesses."